

Message Text

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R 131950Z MAY 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6417

AMCONSUL MONTREAL

UNCLAS OTTAWA 1782

FOR COMMERCE (FERNANDEZ)

POUCHED TO ALL CONSULATES IN CANADA EXCEPT MONTREAL

E.O. 11652: N/AD

TAGS: BGE, BEXP, CA

SUBJ: COMMERCE ANTI-RECESSION EXPORT CAMPAIGN

REF: STATE A-2778, APR 21, 1975

1. EMBASSY HAS CANVASSED OUR THREE COMMERICALLY STAFFED CONSULATES GENERAL AND CALGARY FOR ASSESSMENTS AND SUGGESTIONS RESPONSIVE TO REF AIRGRAM. FOLLOWING IS DISTILLATION AND AMALGAM OF CGS' AND EMBASSY'S VIEWS.

2. CALGARY REPORTS, AND EMBASSY AGREES, THAT VALVES, PIPE AND PIPE FITTINGS, PUMPS AND COMPRESSORS, AND PETROCHEMICAL MACHINERY APPEAR TO OFFER GREATEST OPPORUNITIRES IN RESPECT OF THAT CONSULAR DISTRICT'S POTENTIAL TO ABSORB ADDITIONAL IMPORTS OF U.S. PRODUCTS. THESE OPPORTUNITIES CLOSELY ENTWINED WITH OIL AND NAUTRAL GAS INDUSTRIES IN ALBERTA AND THE MACKENZIE DISTRICT OF NORTHEST TERRITORIES.

3. TORONTO, MONTREAL AND EMBASSY AGREE THAT INTENSIFIED EXPORT TRADE OPPORTUNITY (359) EFFORT PROBABLY IS BEST TOOL AVAILABLE TO CANADIAN POSTS TO SUPPORT SUBJECT CAMPAIGN. THIS WOULD BE COSTLY IN MANPOWER, BUT WE UNCLASSIFIED

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THINK IT VIABLE ENOUGH TO BE WORTH A TRY. WE SUGGEST,

ACCORDINGLY, THAT THE PRODUCT CAMPAIGNS OF THE CCP BE DOWNGRADED IN PRIORITY FOR TONTO, MONTREAL AND VANCOUVER THROUGH THIS CALENDAR YEAR TO THE EXTENT THOSE CAMPAIGNS DO NOT EMBRACE THE RECESSION-HIT INDUSTRIES; AND THOSE POSTS LAUNCH ALL-OUT CAMPAIGNS TO INCREASE THEIR OUTPUT OF ETOS WITH EMPHASIS ON THE RECESSION-HIT U.S. INDUSTRIES. DEPENDING UPON OUR INITIAL FINDINGS AND RESULTS FROM THE ALL-OUT CAMPAIGNS, IT MAY DEVELOP THAT SEVERAL OF THE CCP PRODUCT CAMPAIGNS SHOULD BE ENTIRELY SUSPENDED FOR ALL PRACTICAL PURPOSES.

4. WE PROPOSE A SPECIAL PERSONAL VISIT/TELEPHONE/MAIL CAMPAIGN FOR CG TORONTO DIRECTED AT PROSPECTIVE AGENTS FOR POLLUTION CONTROL EQUIPMENT (NOTING THAT SEVERAL ITEMS IN THE CAPITAL GOODS LIST ON PAGE 7 OF REF AIRGRAM COME UNDER THIS HEADING, AND ARE ALREADY EMBRACED IN THE 1975 AND 1976 CCP PRODUCT CAMPAIGNS). WE PROPOSE SIMILAR SPECIAL EFFORT FOR ELECTRONIC COMPONENTS AND ACCESSORIES, FARM MACHINERY AND CHEMICAL PROCESSING EQUIPMENT AND, IF HOUSING PICKS UP, FOR CONSTRUCTION EQUIPMENT. OBJECT OF SPECIAL CAMPAIGN WOULD BE TO DEVELOP ETOS PARTICULARLY AMONG POTENTIAL AGENTS AND DISTRIBUTORS RATHER THAN ONE-TIME DIRECT SALES TO END USERS. CG TORONTO ALSO BELIEVES CONSUMER GOODS MAY OFFER IMMEDIATE POTENTIAL IN VIEW OF CANADIAN UNIT COST INCREASES; ALTHOUGH EMBASSY NOTES THAT RECENT RAPID DECLINE OF CANADIAN DOLLAR (TO 97 CENTS AS OF MAY 9, THE LOWEST SINCE JULY 1970) WILL TEND TO BOOST PRICES TO CANADIAN IMPORTERS OF U.S. GOODS. TORONTO SUGGESTS CUTLERY, HAND TOOLS, HARDWARE, AND TOYS, SPORTING AND ATHLETIC GOODS AS POTENTIALLY BEST CATEGORIES; AND BELIEVES OUR EFFORTS SHOULD BE LESS FOCUSED ON CATEGORIES THAN IN CASE OF CAPITAL GOODS, AT LEAST UNTIL INITIAL RESPONSES INDICATE ITEMS OF AREAS MERITING CONCENTRATED ATTENTION.

5. CG MONTREAL PROPOSES A SIMILAR CRASH CAMPAIGN OF CONTACTING IMPORTERS/DISTRIBUTORS TO EXPLAIN POST'S SERVICES AND INQUIRE ABOUT PRODUCT INTERESTS, AGAIN WITH OBJECT OF DEVELOPING ETOS. CONSTRUCTION EQUIPMENT, UNCLASSIFIED

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FOR EXAMPLE, APPEARS TO HOLD PARTICULAR PGOMIUE IN THE PROVINCE OF QUEBEC. MONTREAL SUGGESTS CONCENTRATING ON ONE OR TWO INDUSTRIES PER MONTH IN A RANK ORDER, TO BE DETERMINED FROM AMONG 20 CAPITAL GOODS AND 16 CONSUMER GOODS CATEGORIES LISTED PAGE 7 REF AIRGRAM. MONTREAL ALSO BELIEVES IT WOULD BE HELPFUL IF DEPARTMENT OF COMMERCE COULD PROVIDE BRIEF OUTLINE OF CURRENT DEVELOPMENTS RESPECTING 36 LISTED PRODUCT CATEGORIES,

E.G., WHAT DOES EACH U.S. INDUSTRY KONSIDER ITS NEWEST, BEST AND MOST COMPETITIVE ITEMS.

6. VANCOUVER REPORTS THAT CURRENT POTENTIAL FOR INCREMENTAL U.S. EXPORTS IS LOW. BRITISH COLUMBIA'S RESOURCE-BASED ECONOMY, WITH LITTLE SECONDARY INDUSTRY, PROVIDES ONLY MINIMAL MARKET FOR MANY CAPITAL GOODS IN BUOYANT ECONOMIC PERIODS. FEW OF THE 20 CAPITAL GOODS CATEGORIES LISTED IN REF AIRGRAM ARE OF MAJOR INTEREST IN B.C. OUTLOOK FOR DURABLE AND NON-DURABLE CONSUMER GOODS IS FOR MODERATE INCREASE AT BEST. U.S. RECESSION HAS BEEN MAIN CAUSE OF CURRENT DECLINE IN ECONOMIC ACTIVITY IN B.C.; AND IMPROVEMENT NOT EXPECTED UNTIL U.S. HOUSING CONSTRUCTION REVIVES, AS PROVINCE'S LARGEST INDUSTRY, FORESTRY, DEPENDS ON LUMBER EXPO51 TO U.S. THUS, SHORT AND MADIUM TERM POTENTIAL FOR ABSORBING ADDITIONAL IMPORTS QN B.C. FROM RECESSION-HIT U.S. INDUSTRIES IS NOT GOOD.

7. NEVERTHELESS, EMBASSY BELIEVES CG VANCOUVER SHOULD EMBARK ON A SPECIAL CRASH ETO CAMPAIGN, ALBEIT MORE MODEST THAN TORONTO'S AND MONTREAL'S. WE RECOGNIZE THAT ANY PICK-UP IN B.C. MARKETS FOR THE PRODUCTS OF ITS FORESTRY INDUSTRY AND MINES PROBABLY WILL CAUSE CLOSED MILLS AND MINES TO REOPEN RATHER THAN NEW ONES TO BE BUILT. BUT SOME CAPITAL EQUIPMENT WOULD THEN HAVE TO BE REPLACED AND THE U.S. SHOULD CONTINUE TO BE THE PRIME SOURCE. MEANWHILE, OPERATING MILLS AND MINES SHOULD REMAIN GOOD SALES PROSPECTS FOR POLLUTION CONTROL EQUIPMENT TO MEET NEW ENVIRONMENTAL STANDARDS. ALSO, PROSPECTS IN THE VANCOUVER AREA FOR BUSINESS EQUIPMENT AND OFFICE FURNISHINGS MAY ENLIVEN, AND THE MARKET FOR U.S. CAMPING AND RECREATIONAL EQUIPMENT UNCLASSIFIED

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REMAIN STRONG IF TOURISM HOLDS UP.

8. STATESIDE PART OF PROGRAM, AS CONCEIVED SPECIALLY FOR CANADIAN MARKET, COULD BE ADS DEVELOPMENT EFFORT BY COMMERCE DISTRICT OFFICES IN CALLS CITED PARA 2(D), TOP OF PAGE 4, REF AIRGRAM. IN THE CASE OF CANADA, COMMERCE DEPARTMENT MAY WISH TO UTILIZE PROXIMITY FACTOR TO ATTACK THE PROBLEM ON GEOGRAPHIC AS WELL AS COMMODITY BASIS, BY EXTENDING DISTRICT OFFICE/CANADIAN POSTS COOPERATION. FOR EXAMPLE, CG TORONTO COULD MAIL COPIES OF CRASH CAMPAIGN-RELATED ETOS TO DESIGNATED FIELD OFFICES BORDERING TORONTO CONSULAR DISTRICT AND PROVIDE TELEPHONIC NOTICE OF ADS RESULTS. DISTRICT OFFICES COULD MAIL ADS REQUESTS IN SPECIAL CAMPAIGN CATEGORIES DIRECTLY TO POST.

9. FINALLY WE HAVE TO MAKE IT CLEAR--AND STATESIDE COMMERCE CAMPAIGN SHOULD NOT GLOSS OVER THIS FACT--THAT CANADA ALSO IS IN A PERIOD OF INFLATION/RECESSION, AND 1975 IS PROVING TO BE A YEAR OF FALLING SALES AND PROFIT FOR CANADIAN BUSINESSMEN. THE RECESSION

STARTED LATER IN CANADA THAN IN THE U.S. AND MAY BE SHORTEJ AND MORE SHALLOW; BUT BECAUSE OF THE CLOSE INTEGRATION OF THE U.S. AND ECANADIAN ECONOMIES, THE RECESSION-HIT INDUSTRIES IN CANADA ARE, MORE OFTEN THAN NOT, LIKELY TO BE THE SAME INDUSTRIES HIT BY THE RECESSION IN THE U.S. OUTSTANDING EXAMPLES AGE APPLIANCES, FURNITURE AND HOUSEHOLD FURNISHINGS AND MOST OTHER PRODUCTS RELATED TO THE HEALTH OF THE NEW HOUSING CONSTRUCTION INDSTRY, WHICH IN CANADA IS IN THE SAME SORRY STATE AS THE U.S. INDUSTRY. (ANNUAL RATE OF HOUSING STARTS IN CANADA IS PRESENTLY AT FIVE-YEAR LOW). OTHER EXAMPLES ARE TEXTILES AND CLOTHING, TEXTILE MACHINERY, AND ELECTRONICS.

10. OTHER FACTORS WHICH COMMERCE SHOULD BE FRANK TO ADMIT TO U.S. BUSINESSMEN ARE (A) PREVALENCE OF U.S.-OWNED MANUFACTURING SUBSIDIARIES IN CANADA (E.G., IN HOUSEWARES, 90 PERCENT OF PRODUCTS OFFERED ARE MADE DOMESTICALLY); (B) EXISTING SATURATION OF THE CANADIAN UNCLASSIFIED

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IMPORT MARKET BY MANY U.S. PRODUCTS; AND (C) THE HIGH CANADIAN TARIFFS ON CONSUMER GOODS PARTICULARLY AND FULLY MANUFACTURED END-ITEMS GENERALLY.

11. FINALLY, WE BELIEVE THAT, STATESIDE, COMMERCE DEPARTMENT SHOULD EMPHASIZE NEED FOR CONTINUING COMMITMENT TO EXPORT SO THAT ANY SUCCESSES WE ACHIEVE VIA COMBINED STATESIDE/CANADIAN POSTS' CRASH CAMPAIGN WILL BE PERMANENT SUCCESSES AND NOT RPT NOT ONE-SHOT EXPORTS RESULTING FROM SPECIAL EFFORT TO EXPORT ONLY WHEN DOMESTIC RECESSION CAUSES U.S. FIRMS TO LOOK FOR EXPORT MARKETS. PORTER

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